

where and thus favour the importation of money for advantageous utilisation in local loans rather than the receipt of exchanged material articles. A credit also from abroad may be obtained with a London banker by discounting bills or selling securities; making use of this credit by demanding the proceeds in Bank of England notes; converting the notes into gold at the issue department, and withdrawing the gold. Or bills on London firms (the evidence of indebtedness for exports to England) may be purchased in the foreign money market, remitted here for discount, and resulting, by the procedure just described, in a diminution of the Bank of England's resources. It is further to be noted that it is not necessary to suppose that bullion is exclusively exported from England in order to discharge a prior state of British indebtedness to foreign exporters of commodities to this country. For bills may be created by a foreign bank upon its London agents; and if the house be substantial and in credit the discount of these documents can be arranged, and the proceeds, as already explained, diverted from England in gold. [The bill, of course, must be satisfied or met at the date of its maturity.]

And finally—as already hinted—if, for example, the rate of discount in London be 3 per cent, and that prevailing in Paris be 6 per cent, the meaning is that gold may be bought (that is, borrowed) for 3 per cent in London, and sold (that is, lent) at 6 per cent in Paris, or a profit earned of 3 per cent subject to the costs of transmission. For money—or rather the desires of men who possess or can command it—inevitably seeks and finds the place or business in which it can be most remuneratively employed. Hence in these circumstances, as just explained, persons in London create bills upon their correspondents in Paris for the express purpose of selling them in London for cash, when the amount is remitted to Paris, and earns, by loans and discounts, the more favourable return of 6 per cent. In the same manner merchants in Paris at once forward to England the bills which they hold upon British firms for goods supplied; and their discounted proceeds (at 3 per cent) pass to Paris for

this advantageous employment in the French central money market.

We may here point out, by anticipation, that the only mode